

THIRD DIVISION

**PRUDENTIAL SHIPPING G.R. No. 166580
and MANAGEMENT
CORPORATION and
ZENITH SHIPPING INVEST- Present:
MENT, LTD.,**

Petitioners,

YNARES-SANTIAGO, J.,

Chairperson,

- *versus* - AUSTRIA-MARTINEZ, CALLEJO, SR., and
CHICO-NAZARIO, JJ.

EMERLINDA A. STA. RITA,

for herself and in behalf of

RENE A. STA. RITA, Promulgated:

Respondent.

February 8, 2007

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DECISION

CALLEJO, SR., J.:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court of the Decision^[1] of the Court of Appeals (CA) in CA-G.R. SP No. 80610, which reversed the decision and resolution of the National Labor Relations Commission (NLRC), and reinstated the Labor Arbiters decision, as well as the CA Resolution^[2] denying the motion for reconsideration thereof.

On May 5, 1999, petitioner Zenith Shipping Investment, Ltd. (ZSIL), through petitioner Prudential Shipping and Management Corporation (PSMC), hired Virgilio C. Sta. Rita as oiler on board the M/V Gulfwind. The contract was for 12 months at a basic monthly salary of US\$335.00 on a 48-hour work week, with an

overtime pay of US\$2.01 per hour and a monthly vacation leave with pay of 4 days.^[3] In his pre-employment medical examination, he was found fit for sea duty, although his electrocardiogram (ECG) report revealed a mild left axis deviation.^[4]

Virgilio boarded ship on May 20, 1999.^[5] He became ill while on board. On March 3, 2000, the Marine Medical Unit at New Orleans, Louisiana, USA diagnosed him to be suffering from umbilical hernia. The attending physician advised Virgilio to avoid tasks involving heavy lifting and to undergo surgical repair.^[6] He was later repatriated.

Upon his arrival in Manila on March 8, 2000, Virgilio was immediately referred to the company-designated physicians at the Metropolitan Hospital for further evaluation and management. He was found positive of peri-umbilical mass^[7] due to the presence of ascites.^[8] On March 24, 2000, Virgilio was subjected to umbilical herniorrhaphy^[9] (surgical repair), ultrasound of the upper abdomen^[10] and aspiration of ascitic fluid.^[11] The ultrasound done on the day of the operation further revealed that Virgilio had liver cirrhosis with a possible regenerating nodule,^[12] for which he was given medication.^[13] Five days later, or on March 29, 2000, he was discharged from the hospital.^[14] All medical and hospitalization expenses for the herniorrhaphy were shouldered by petitioners.

On June 20, 2000, after several post-operation check-ups, Virgilio signed a Certificate of Fitness for Work^[15] where he released his employer and the manning company from all actions, claims and liabilities.^[16] ZSIL and PSMC later paid his sick wages.^[17]

Almost eight (8) months later, on February 13, 2001, Virgilio was brought to the Philippine General Hospital (PGH). His HBT ultrasonography (of the liver and gallbladder) revealed massive ascites, liver cirrhosis, thickening of the gallbladder wall (probably reactive) and splenomegaly, while his chest ultrasonography revealed left massive pleural effusion.^[18] On electrocardiogram, he was discovered to have sinus tachycardia and left axis deviation.^[19] His roentgenological report further revealed an atherosclerotic aorta which confirmed the earlier finding of pleural effusion.^[20] On March 13, 2001, he was confined at the PGH for acidosis secondary to liver cirrhosis probably secondary to alcoholic liver disease; hepatocellular carcinoma and left pleural effusion, probably malignant.^[21] Virgilio died on March 18, 2001. The immediate cause of death was cardiopulmonary

arrest 2 metabolic acidosis r/o fatal arrhythmia, with acute renal failure as the antecedent cause, and hepatocellular carcinoma as the underlying cause.^[22]

On June 5, 2001, Emerlinda, Virgilios wife,^[23] and Rene, their son^[24] (respondents), filed a complaint^[25] against ZSIL and PSMC for payment of death compensation, illness allowance, reimbursement of medical expenses, damages and attorneys fees before the Labor Arbitration Branch of the NLRC. The case was docketed as NLRC-NCR-OFW- Case No. (M)-01-06-1049-00.

Petitioners countered that respondents were not entitled to death benefits because Virgilio died long after his employment had been terminated. This was in accordance with Section 18 of the POEA Standard Employment Contract. Petitioners argued that they were not insurers of the lives of seamen and they were only liable for death benefits for the results of illnesses contracted during employment. They pointed out that respondents were already given residual benefits from Virgilios repatriation due to illness, and as such, the former were already released from any obligation to the heirs of the deceased. They likewise averred that death benefits are awarded only if the seaman dies of the same illness for which he was repatriated. In this case, he was repatriated due to umbilical hernia which is not a deadly illness; in fact, Virgilios condition had already been corrected by umbilical herniorrhaphy from which he recuperated fully. Furthermore, he was later on declared fit to work. Petitioners stressed that the deceased was in good health when he was repatriated. Finally, they claim that they are not liable for damages because they acted in good faith. They rejected the claims of the respondents on the honest belief that they were not entitled thereto under the POEA Standard Employment Contract.

In their Reply, respondents averred that petitioners settlement of the sick wages and their other liabilities to Virgilio was contrary to their claim that Virgilios employment had been terminated upon repatriation.

On June 21, 2002, the Labor Arbiter rendered a Decision^[26] in favor of the respondents. The Labor Arbiter ruled that the nature of Virgilios employment contributed to the aggravation of his affliction, which in turn caused his premature repatriation for medical treatment, and eventually his death. While his hernia operation was successful, the liver cirrhosis, which had been diagnosed during the operation, remained. The *fallo* of the decision reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering herein respondents Prudential Shipping and Management Corporation and Zenith Shipping Investment, Inc., jointly and severally, to pay herein surviving spouse complainant Emerlinda A. Sta. Rita and her child, Rene, surnamed Sta. Rita, the following:

1. The sum of US\$1,340.00 as sickness allowance;
2. The sum of US\$50,000.00 as death compensation benefits, plus the sum of US\$7,000.00 for herein minor child Rene;
3. The sum of US\$1,000.00 burial expenses; and
4. The further sum of ten percent (10%) of the monetary award due complainant, or US\$5,934.00, as attorneys fees.

All other claims are dismissed for lack of merit.

SO ORDERED.^[27]

The Labor Arbiter further held that a claim arising from employer-employee relationship does not necessarily infer that the relationship should exist at the time the claim is presented. Although the employment may have ceased, the origin of the claim is not altered. According to the Labor Arbiter, the fact that Virgilios employment had already been terminated when the complaint was filed is of no consequence. He cited this Courts rulings in *Martin v. Court of Appeals*,^[28] and *Star Security & Detective Investigation Agency v. Secretary of Labor*.^[29]

Petitioners appealed the decision to the NLRC, wherein they averred that:

FIRST, the Honorable Arbiter appears to have awarded sickness allowance to complainant, a relief which has not been substantiated, which at best has been waived because the same was not prayed for in the Position Paper and Reply filed by the complainant before the Arbiter, and which in fact has been paid;

SECOND, the Honorable Arbiter adopted a version of the facts that is at best speculative and baseless, and at worse, contrary to the evidence presented; and

THIRD, the deceased seaman died long after his employment of a disease which did not manifest during such employment, and which is a known fatal and fast acting illness, such that the respondents cannot be held liable for death benefits and damages including attorneys fees arising therefrom.^[30]

On May 26, 2003, the NLRC reversed the decision of the Labor Arbiter and dismissed the complaint.^[31] According to the NLRC, death and burial benefits could not be awarded to respondents. Under the POEA Standard Employment Contract, these benefits are given if the seafarer died during the term of his contract. Since the seafarer passed away one year after his repatriation (*i.e.*, his contract was already terminated), respondents were not entitled to death benefits.

The NLRC, likewise, ruled that respondents were not entitled to sickness allowance because they did not pray for such relief in their position paper. In fact, petitioners attached to their appeal memorandum evidence that sickness allowance had been paid to respondents. The *fallo* of the decision reads:

WHEREFORE, the decision appealed from is hereby REVERSED, and the instant case DISMISSED for lack of merit.

SO ORDERED.^[32]

Respondents filed a motion for reconsideration^[33] which the NLRC denied.^[34] This prompted the respondents (petitioners for brevity) to file a petition for *certiorari* under Rule 65 of the Revised Rules of Court before the CA.^[35] Petitioners insisted that the public respondent committed grave abuse of discretion amounting to lack or excess of its jurisdiction in reversing and setting aside the decision of the Labor Arbiter and in dismissing their complaint.^[36]

They averred that, although Virgilio died of cardiopulmonary arrest one year from the date of his repatriation, they were still entitled to death benefits. Citing the ruling in *Ijares v. Court of Appeals*,^[37] they averred that the main consideration for compensability is that the cause of death of the deceased was contracted during and by reason of his employment, and any non-work related factor that contributed to its aggravation is immaterial. What is decisive is that the cause of death of the deceased is work-related and aggravated his condition or contributed, even in a small degree, to its development. Petitioners pointed out that the deceased was an oiler and was exposed to different kinds of chemicals and extreme heat in the engine room of the vessel. Contrary to respondents contention, the deceased was not yet well when he was repatriated because he was found suffering from

enlargement of the abdomen five (5) days after the surgery on his umbilical hernia. He could not have contracted liver cirrhosis, the underlying cause of his death, only after he was repatriated; he contracted it during the time of his employment with petitioners. They claimed that respondents cannot find solace in the Certificate of Fitness executed by the deceased because the same is in the nature of a deed of quitclaim and cannot bar the recovery of death benefits.

On October 26, 2004, the appellate court rendered judgment granting the petition.^[38] It declared that the cause of Virgilios death was traceable to his cirrhosis, which he presumably acquired while he was in petitioners employ. Virgilio worked in the engine room where he was necessarily exposed to chemicals. Also, his strenuous work as an oiler might have weakened his state of health; his having skipped meals to attend to his work might have rendered him susceptible to malnutrition. It stressed that hepatocellular carcinoma may arise as a complication of cirrhosis. The dispositive portion of the CA decision reads:

UPON THE VIEW WE TAKE OF THIS CASE, THUS, the assailed decision and resolution of the NLRC must be, as they hereby are, REVERSED, and the June 21, 2002 judgment of Labor Arbiter Salimathar V. Nambi REINSTATED in toto. Without costs.

SO ORDERED.^[39]

Petitioners filed a motion for reconsideration^[40] which the appellate court denied in its January 6, 2005 Resolution.^[41]

Petitioners thus filed the instant petition assailing the ruling of the appellate court on the following grounds:

I. The appellate court disregarded the terms and conditions of the POEA Standard Employment Contract when it rendered petitioners liable for the seaman's death which occurred after (sic) long after the POEA Contract had been terminated.

II. The appellate court erred in ruling that deceased Sta. Ritas' illness which caused his death allegedly occurred during his employment and/or the risk of contracting the disease was increased or aggravated by his employment since there was no evidence in this respect.

III. The appellate court erred in ruling for the respondents despite clear proof that the cause of death was entirely different from the illness with which the deceased was repatriated.^[42]

The threshold issue is whether or not respondents are entitled to death and sickness benefits from petitioners on account of Virgilios' death on March 18, 2001.

Petitioners aver that, for respondents to be entitled to the death benefits in the POEA Standard Employment Contract, the death of the seafarer must occur during the term of the contract. When the seafarer dies after the termination of his employment but was suffering from an injury or illness during the term of his contract, the heirs would be entitled only to the compensation and benefits under Section 20(B) of the Contract. The cause of Virgilios' death which was cardiopulmonary arrest secondary to metabolic acidosis, acute renal failure and hepatocellular carcinoma, had no connection with umbilical hernia for which he was repatriated in March 2000. Petitioners stress that the cause of Virgilios' death was entirely different from the illness for which he was repatriated. His death further occurred long after the termination of his contract due to repatriation, after

his successful operation and after he had been declared fit to resume his duties. Moreover, the illnesses that caused his demise were in no way related to hernia, nor were these aggravated by his work as an oiler. Even his cirrhosis was not caused by the nature of his work, as his own doctor opined that this was due to alcoholic liver disease caused by excessive alcohol intake which developed over a long period of time. The mere fact that Virgilio was found fit to work during his pre-employment medical examination does not necessarily lead to the conclusion that the illness that caused his death was acquired during the course of employment. There is, likewise, no evidence on record to prove that Virgilio was exposed to chemicals or that he skipped meals while working. Since there was no basis for the CA to conclude a work-connection or work-aggravation, petitioners should not be held liable for death and funeral benefits. Also, they should not be made to pay sickness allowance, as this was already given to Virgilio, nor damages and attorneys fees, for petitioners faithfully complied with their obligation when the deceased became ill while on board. No premium should further be placed on the right to litigate.

In their comment on the petition, respondents averred that the issues raised by petitioners are factual, which are improper in a petition for review on *certiorari*. Respondents reiterated that even if Virgilio died after his employment with respondents had already been terminated, petitioners are nevertheless liable for the death benefits. This is in accordance with the ruling of this Court in *Wallem Maritime Services, Inc., et al. v. National Labor Relations Commission*.^[43] Respondents, likewise, maintained that the decision of the CA is in accord with law and the evidence on record.

Respondents contend that there is a causal relationship between Virgilios death and his employment with petitioners. In several cases decided by the court, death compensation was awarded despite the fact that the death of the seaman occurred after the expiration of his employment contract. While Virgilio was indeed repatriated due to hernia, he was also diagnosed to be ill of liver cirrhosis. The existence of such a disease during the term of his contract entitles respondents to compensation for death benefits. They insisted that Virgilios exposure to chemicals and toxins as an oiler contributed to the development or aggravation of his illness. Respondents claim that in compensation proceedings, the ultimate degree of certainty is not required to establish the claim. It is enough that the theory in which the claimants anchor their claim is probable, considering the circumstances surrounding the case. Respondents are not duty bound to prove work-connection since the 1996 POEA Standard Employment Contract does not

require that the illness must be work-related to be compensable. The unjustified refusal of petitioners to pay their claim amounted to bad faith and malice, thus, they are liable for damages and attorneys fees.

The petition is meritorious.

In petitions for review on *certiorari*, only questions of law may be raised, the only exceptions being when the factual findings of the appellate court are erroneous, absurd, speculative, conjectural, conflicting, or contrary to the findings culled by the court of origin.^[44] Considering the conflicting findings of the NLRC, the CA and the Labor Arbiter, the Court is impelled to resolve the factual issues in this case along with the legal ones.

Section 20(A)(1) and (4) (A, B and C) of the POEA Standard Employment Contract provides:

Section 20. COMPENSATION AND BENEFITS

A. COMPENSATION AND BENEFITS FOR DEATH

1. In case of death of the seafarer *during the term of his contract*, the employer shall pay his beneficiaries the Philippine Currency equivalent to the amount of Fifty Thousand US dollars (US\$50,000) and an additional amount of Seven Thousand US dollars (US\$7,000) to each child under the age of twenty-one (21) but not exceeding four (4) children, at the exchange rate prevailing during the time of payment.

x x x x

4. The other liabilities of the employer when the seafarer dies as a result of injury or illness *during the term of employment* are as follows:

- a. The employer shall pay the deceaseds beneficiary all outstanding obligations due the seafarer under this Contract.
- b. The employer shall transport the remains and personal effects of the seafarer to the Philippines at employers expense except if the death occurred in a port where local government laws or regulations do not permit the transport of such remains. In case death occurs at sea, the disposition of the remains shall be handled or dealt with in accordance with the masters best judgment. In all cases, the employer/master shall communicate with the manning agency to advice for disposition of seafarers remains.

- c. The employer shall pay the beneficiaries of the seafarer the Philippine currency equivalent to the amount of One Thousand US dollars (US\$1,000) for burial expenses at the exchange rate prevailing during the time of payment.

The death of a seaman during the term of employment makes the employer liable to his heirs for death compensation benefits. Once it is established that the seaman died during the effectivity of his employment contract, the employer is liable.^[45] However, if the seaman dies after the termination of his contract of employment, his beneficiaries are not entitled to the death benefits enumerated above.^[46]

Section 18(B) (1 to 4) of the Contract further provides that the employment of the seafarer is terminated upon his sign-off; in case he is disembarked for medical treatment pursuant to Section 18(B)(1) of the Contract, the employer shall bear the full cost of repatriation in the event the seafarer is fit for repatriation.

In the present case, Virgilio was repatriated for medical reasons; he arrived in the Philippines on March 8, 2000 for surgical repair after he was diagnosed with umbilical hernia. Virgilios employment was thus terminated upon his repatriation on March 8, 2000. Consequently, when he died on March 18, 2001, his employment with petitioners had long been terminated. Hence, respondents are not entitled to receive death benefits under the Contract from petitioners.^[47]

Neither are petitioners liable for sickness allowance since it appears from the records that these had already been paid to respondents in June and September 2000, and January 2001.^[48]

IN LIGHT OF ALL THE FOREGOING, the petition is **GRANTED**. The Decision of the Court of Appeals in CA-G.R. SP No. 80610 is **REVERSED and SET ASIDE**. The Decision of the National Labor Relations Commission is **REINSTATED**. No costs.

SO ORDERED.

ROMEO J. CALLEJO, SR.

Associate Justice

WE CONCUR:

CONSUELO YNARES-SANTIAGO

Associate Justice

MA. ALICIA AUSTRIA-MARTINEZ MINITA V. CHICO-NAZARIO

Associate Justice Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Courts Division.

CONSUELO YNARES-SANTIAGO

Associate Justice

Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairpersons Attestation, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Courts Division.

REYNATO S. PUNO

Chief Justice

^[1] Penned by Associate Justice Renato C. Dacudao, with Associate Justices Lucas P. Bersamin and Vicente S.E. Veloso, concurring; *rollo*, pp. 41-53.

^[2] *Rollo*, p. 55.

^[3] Records, p. 22.

^[4] *Id.*

^[5] *Id.* at 10.

^[6] *Id.* at 24.

^[7] *Id.* at 26.

^[8] *Id.* at 44.

^[9] *Id.* at 46.

^[10] *Id.* at 44.

^[11] *Id.* at 46.

^[12] *Id.* at 48.

^[13] *Id.* at 45.

^[14] *Id.* at 44.

^[15] *Id.* at 31.

^[16] *Id.*

^[17] *Id.* at 100-102.

^[18] *Id.* at 51.

^[19] *Id.* at 49.

^[20] *Id.* at 50.

^[21] *Id.* at 55.

^[22] *Id.* at 56.

^[23] *Id.* at 57.

^[24] *Id.* at 59.

^[25] *Id.* at 2.

^[26] *Id.* at 68-77.

^[27] *Id.* at 76-77.

^[28] G.R. No. 82248, January 30, 1992, 205 SCRA 591.

^[29] G.R. No. 82607, July 12, 1990, 187 SCRA 358.

^[30] *CA rollo*, p. 95.

^[31] *Id.* at 126-131.

^[32] *Id.* at 130.

^[33] Records, pp. 186-197.

^[34] *Id.* at 198-199.

^[35] *CA rollo*, pp. 2-13.

^[36] *Id.* at 7.

^[37] 372 Phil. 9, 19 (1999).

^[38] *CA rollo*, pp. 199-211.

^[39] *Id.* at 210-211.

^[40] *Id.* at 212-222.

^[41] *Id.* at 230.

^[42] *Rollo*, p. 20.

^[43] 376 Phil. 738, 747 (1999).

^[44] *Gau Sheng Phils., Inc. v. Joaquin*, G.R. No. 144665, September 8, 2004, 437 SCRA 608, 616.

^[45] *NFD International Manning Agents v. National Labor Relations Commission*, 348 Phil. 264, 273 (1998).

^[46] *Hermogenes v. Osco Shipping Services, Inc.*, G.R. No. 141505, August 28, 2005, 467 SCRA 301, 307.

^[47] *Hermogenes v. Osco Shipping Lines, Inc.*, *supra*.

^[48] *Rollo*, pp. 100-102.